



2004 UTAH STATE TAX TOOLS

As the holiday season turns to tax season, bringing with it new changes in tax law, forms, and services, the Utah State Tax Commission is here to help with several tax-time tools available to the public as well as tax practitioners.

Telephone Directory for Tax Practitioners

The Tax Commission publishes a directory of telephone numbers for practitioners that will give them a direct line to management, as well as the most frequently used numbers for such subjects as forms ordering, bankruptcies, garnishments, etc.

In addition, there is a special Tax Practitioner Hotline for research questions that may arise during a tax season.

The publication can be downloaded from the Tax Commission's website at tax.utah.gov/forms/ and clicking on Pub 10.

New 2004 Forms and Publications

The Tax Commission has been busy updating the new forms and instructions for the 2004 filing. Many of these forms and instructions have been released to the professional community, although not released generally at this point.

If you are interested in seeing what has been released to date, check out our website under tax.utah.gov/forms/finals/release.html and click on the form or publication in which you are interested.

Mandatory E-File

Utah does not currently mandate the electronic filing of returns. However, electronic filing is supported, encouraged, and preferred by the Tax Commission because it offers the lowest cost method of filing returns, and establishes the highest accuracy rate of the return data. These two benefits, and others associated with non-paper based filings, result in lower taxpayer compliance costs and government operating costs.

E-Signatures Option

All tax returns filed electronically accept the signature electronically by entry of a personal identification number (PIN) assigned or printed on a document, or the entry of specific information from a previously filed return or application (sometimes referred to as a "shared secret") as established by the filing application and identified in the instructions.



USTC Web Tools

General Information - A variety of tax information can be easily located on our main website, <http://tax.utah.gov>. This site permits access to a tax research library, training programs and resources, links to Tax Commission applications, billing and collection information, and other resources useful to citizens and practitioners.

Forms: Current Year - All current year tax forms can be viewed, downloaded, and printed from the USTC web site. Forms can also be completed online, and printed for signature and mailing. The forms section is updated whenever there is a change in a form, so the most current version is always accessible. See <http://tax.utah.gov/forms/index.html> for additional information.

Forms: Prior Years - Most prior year forms back to 1995 are available and can be viewed, downloaded, and printed from the USTC web site. Some forms can also be completed online, and printed for signature and mailing. See <http://tax.utah.gov/forms/old.html> for additional information.

Publications - Publications and booklets containing information on laws and filing requirements can be viewed, downloaded, or printed from the USTC website. These publications cover a variety of topics and information specific to a type of tax or a profession. See <http://tax.utah.gov/forms/index.html> for additional information.

Check Refund Status - The status of the current year individual income tax return filed showing a refund due can be viewed on the USTC website after the return is filed. See <http://incometax.utah.gov/> for additional information.

Income Tax Information Site - This site is dedicated to providing information for the current year individual income tax returns. This site contains instructions, current year changes, information on specific tax topics, residency, tax deductions, filing errors, and other information of interest to filers and preparers of individual income tax returns. See <http://incometax.utah.gov/> for additional information.

Electronic Payment on "PaymentExpress"

PaymentExpress can be used to electronically pay 28 different tax liabilities from a variety of payment documents such as: returns filed (either electronic or paper), prepayments and estimated payments, billing notices, payment agreements, collector contacts, etc. Payment can be made by credit card (American Express, Discover, or MasterCard) or by electronic check (direct debit). An electronic check can be deducted from either your checking or savings account. A fee will be applied to your payment to cover the operating costs associated with the electronic payment service. The fee is based upon the amount paid, and a discount is applied to all cash equivalent payments (i.e. electronic checks). Learn more at paymentexpress.utah.gov.

Federal Sales Tax Deduction on Form 1040, Schedule A

The Federal "2004 Working Families Tax Relief Act" was signed into law Oct 4, 2004. Included in the act was a provision allowing taxpayers who itemize their deductions to deduct state and local general sales taxes instead of state and local income taxes on Schedule A, line 5.

Utah law requires an add-back (on TC-40, line 5) of any state and local income taxes deducted on the federal Schedule A, line 5, but no provision for adding back any sales tax deducted on that line.

Caution should be exercised when preparing the Utah return to include only income taxes and not sales taxes as a Utah add-back.

2004 Utah Changes for Standard Deduction and Exemptions

Standard deduction changes for the 2004 Utah return will duplicate those for federal purposes. Increases, due to federal indexing, raise the standard deductions for most people as follows:

Single	\$4,850
Head of Household	\$7,150
Married Filing Jointly	\$9,700
Married Filing Separately	\$4,850
Qualifying Widow(er)	\$9,700

The federal exemption amount increased from \$3,050 for 2003 to \$3,100 for 2004. The Utah exemption amount, by statute, is set at 75% of the federal amount, which means for 2004 the Utah exemption amount will be \$2,325.

Military Pay Exclusion

A one-year (2004) exclusion from Utah income tax was passed by the Legislature this year that exempts active duty pay received from the Army Reserve, Naval Reserve, Air Force Reserve, Marine Corps Reserve or Coast Guard Reserve.

In addition, if active duty pay was received by a member of the Army National Guard or the Air National Guard for service under orders or called to active duty for purposes of responding to a national emergency for more than 30 consecutive days, the pay is exempt from Utah tax for 2004.

The exemption is claimed as an "other deduction" on the Utah TC-40 in cases where the military income was included in federal adjusted gross income. Of the military income was not included in federal adjusted gross income, no deduction is allowable on the Utah return.

New Utah Voluntary Contributions

The Legislature has added three new funds to which the taxpayer can voluntarily contribute tax dollars.

Utah College of Applied Technology - A contribution may be made to a specific applied technology campus.

Uniform School Fund - A contribution may be made to the Uniform School Fund.

Wolf Depredation Fund - A contribution may be made to provide payments for livestock depredation by wolves and for wolf management.

New Refundable Credit for Farm Operation Hand Tools

The Legislature, in conjunction with the Streamlined Sales Tax changes, changed a sales tax exemption for farm operation hand tools to a refundable credit to be taken on the individual or corporation tax return. The credit applies only to hand tools purchased on or after July 1, 2004 and used or consumed primarily and directly in a farming operation in Utah. The credit only applies if the purchase price of a tool is more than \$250.

Utah Interest Rates

The Utah interest rate for 2005 has been increased from 3 percent to 4 percent. A history of Utah interest rates, along with a summary of interest and penalty provisions under Utah income tax law, may be found in a new publication on the Tax Commission website. Click on tax.utah.gov/forms/finals/release.html and select Pub 58.

Third Party Designee

Beginning with the 2004 Utah returns, a taxpayer may now designate a third party to work with the Tax Commission to answer questions and resolve processing problems. The third party may be a family member, a friend, or the tax professional that prepared the return.

To designate a third party, the "Third Party Designee" fields must be completed on page 2 of the TC-40 with the name, telephone number, and a self-selected PIN (up to nine digits) for the designee. If the paid preparer is the designee, you only need to enter the word "Preparer" in the designee name field and then enter the preparers social security number or PTIN as the PIN.

Appointing a third party designee authorizes the person to give the Tax Commission information that may be missing from the return, call the Commission for information regarding the processing of the return or the status of a refund or payment, receive copies of notices or transcripts related to the return (upon request), and respond to certain Commission notices about math errors, offsets and return preparation. It does not authorize the designee to receive any refund or bind the taxpayer to anything.

The authorization automatically ends no later than the due date for filing the 2005 return. It can be revoked earlier in writing.

Non-manual Preparer Signatures Allowed

The IRS has recently authorized income tax return preparers to sign original or amended returns and extension requests, filed after 2003, by means of a rubber stamp, mechanical device or computer software program. These alternative signing methods must include a facsimile of either the individual preparer's signature or printed name. Preparers using one of these alternatives are personally responsible for affixing their signatures to returns or extension request. (IRS Notice 2004-54.)

Preparers must provide all other required information such as name, address, relevant employer identification number, the preparer's individual identification number and phone number.

This does not alter the signature requirements for any other type of document currently required to be manually signed. It also does not alter the requirement that returns or extension requests be signed by the taxpayer by handwritten signature or other authorized means.

Utah will follow the federal provisions for paid preparer signatures generated by a "rubber stamp, mechanical device or computer software program."

Annual Sales and Use Tax Filers

Due to Streamlined Sales Tax (SST) legislation, the forms used to file and pay sales tax were changed from the TC-71 series to the TC-61 series midway through 2004. Because the TC-71 forms were in effect for the annual filing period which began in January, annual filers must still use the TC-71 forms and associated schedules (when applicable) for the January to December 2004 annual filing period. This will be the last time TC-71 forms are used for a current period.

These associated forms include the TC-71A, B/D, C, F, R, T, and W, if they are needed for the filer's specific situation. All of these forms must be completed separately, if they apply. If blank TC-71 forms are needed, they may be obtained at tax.utah.gov/forms/2004/index.html.

Online filing of sales tax is available again to annual filers who have a single place of business in Utah and are not required to file sales-related taxes, such as tourism, transient room, etc. Eligible filers will find a PIN printed on their returns just left of the Account Number box. Please do not be concerned that some screens and the worksheet are labeled TC-61. The Tax Commission will process these annual returns as TC-71s.

Training

CPA firms may request specialized training on any tax subject for their firm and their employees by contacting the 'Tax Commission' s Taxpayer Education Coordinator (801) 297-6203 or (800) 662-4335 ext 6203. Specialized training is tailored to the specific needs of the requesting CPA firm.

The Tax Commission and Internal Revenue Service co-sponsor free tax training throughout the year. This training is designed for businesses needing a basic understanding of taxes and cover these topics:

- Sales and Use Tax

- Employer/Withholding taxes including presentations on workers compensation, unemployment insurance, labor laws, and workplace safety and health

- Record Keeping

- Business entity taxes (sole proprietor, LLC/partnerships, and S-corporations)

The schedule for these training sessions is available at <http://tax.utah.gov/training/>.

IRS tools

The Internal Revenue Service website at www.irs.gov offers a great deal of information, updates, forms, and press releases on federal tax issues.

For More Information

Additional information is available on our website at <http://tax.utah.gov>.

If you would like more copies of this document, or have other informational needs, please call the office of our Public Information Officer at 801-297-3910.